

Message Text

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PAGE 01 ATHENS 06484 261613Z

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ACTION L-03

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E.O. 11652: N/A

TAGS: EFIN, PFOR, ACLM, GR, GW, US

SUBJECT: GERMAN/GREEK WORLD WAR I DEBT AGREEMENT

REF: (A) STATE 80638; (B) ATHENS A-73

SUMMARY: WORLD WAR I DEBT SETTLEMENT QUESTION HAS ONCE AGAIN SURFACED. EMBASSY BELIEVES FOLLOWING SUMMARY OF EMBOFF DISCUSSIONS WITH US LAWYER JAMES ARMENAKIS OVER REMUNERATION OF HAUSER-CALY-PLEWNIA TEAM MAY BE OF INTEREST TO DEPARTMENT SINCE ARMENAKIS INDICATES DIRECT CONTACT WILL BE MADE, PROBABLY BY CLAY, IN WASHINGTON. END SUMMARY.

1. US LAWYER JAMES ARMENAKIS OF HAUSER-CLAY-PLEWNIA TEAM VISITED EMBASSY AUGUST 20 TO DISCUSS STATUS OF PAYMENT TO LAWYERS FOR SERVICES RENDERED IN WWI DEBT SETTLEMENT (MEMCON AIR POUCHED TO DESK AUGUST 21). ON AUGUST 25, AFTER HE HAD ENGAGED IN DISCUSSIONS WITH FOREIGN MINISTRY OFFICIALS (WHICH EMBASSY HELPED ARRANGE), ARMENAKIS INDICATED TO EMBOFF THAT SEVERAL PROBLEMS, CONSIDERED SERIOUS BY US LAWYERS, HAD DEVELOPED.

2. ALTHOUGH FRG HAD RELEASED THE FIRST OF THE TWO SCHEDULED INSTALLMENTS TO GOG, NO PAYMENTS, HE SAID, HAD YET BEEN MADE TO US LAWYERS. (EMBOFF CHECKED WITH FOREIGN MINISTRY AND WAS ASSURED THAT INSTRUCTION TO GREEK EMBASSY BONN WAS BEING

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PAGE 02 ATHENS 06484 261613Z

SENT TELEGRAPHICALLY AUGUST 25 AUTHORIZING IMMEDIATE RELEASE

OF 1.05 MILLION DM TO PLEWNIA.)

3. ARMENAKIS STATED THAT HIS PRINCIPALS BELIEVE THAT GOG'S ASSIGNMENT TO BLOCKED ACCOUNT OF 1.3 MILLION DM OUT OF FIRST INSTALLMENT CONSTITUTES VIOLATION OF PREVIOUS "UNDERSTANDING." THEY INSIST THAT BLOCKED FUNDS SHOULD BE DEDUCTED PROPORTIONALLY FROM THE TWO INSTALLMENTS (SECOND SCHEDULED FOR FEB), AND NOT ENTIRELY FROM FIRST ONE. IN ADDITION, THEY FIND "UNPALATABLE" THE BLOCKING OF APPROXIMATELY \$56,000 MORE THAN ORIGINALLY AGREED UPON FIGURE TO PROVIDE FOR POSSIBLE COURT COSTS. FOREIGN MINISTRY HOLDS THAT THESE CONDITIONS DETERMINED BY COURT IN RESPONSE TO SUIT BROUGHT BY GREEK LAWYER PSIMENOS AND THAT GOG HAS NO CHOICE IN MATTER. ARMENAKIS HAS SUGGESTED THAT FOREIGN MINISTRY SHOULD SEEK AMENDMENT OF COURT ORDER TO ALLOW PROPORTIONAL DEDUCTION OF BLOCKED FUNDS; FOREIGN MINISTRY HAS COUNTERED THAT US LAWYERS SHOULD THEMSELVES APPEAL TO COURT, A STEP THEY ARE RELUCTANT TO TAKE.

4. ARMENAKIS MENTIONED THAT A STRONG PROTEST WAS BEING LODGED AT DEPARTMENT BY HIS COLLEAGUES, AND VAGUELY REFERRED TO WAYS IN WHICH CONGRESSIONAL INTEREST MIGHT BE STIMULATED. SEVERAL HOURS AFTER EMBOFF ASCERTAINED THAT 1.05 MILLION DM PAYMENT IMMINENT, ARMENAKIS CALLED TO SAY THAT HE HAD CONFERRED BY TELEPHONE WITH HIS SUPERIORS. HE SEEMED SOMEWHAT MOLLIFIED, AND ASKED THAT EMBASSY REFRAIN FROM SEEKING DEPARTMENT'S VIEWS ON SUBJECT FOR A WEEK OR SO, DURING WHICH TIME CASE MIGHT SHAKE ITSELF OUT.

5. EMBASSY HAS MADE LOW-KEY WORKING LEVEL APPROACH TO FOREIGN MINISTRY TO REAFFIRM OUR INTEREST IN MUTUALLY SATISFACTORY RESOLUTION OF THIS AFFAIR. AT THIS POINT IT IS EMBASSY'S ASSESSMENT THAT GOG INTENDS COMPLY WITH SPIRIT OF ASSURANCES PROVIDED IN THEIR DIPLOMATIC NOTE ON SUBJECT OF MARCH 31 (REF B).
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